



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARLAN COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARLAN COUNTY CLERK

Calendar Year 1999

The Harlan County Clerk's 1999 fee audit was completed as of February 15, 2001. The audit revealed no reportable internal control or compliance issues. The Clerk's office generated excess fees of \$11,356, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the County Fiscal Court. The Clerk has paid \$11,356 to the fiscal court for 1999 excess fees.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joseph Grieshop, Harlan County Judge/Executive

Honorable Wanda S. Clem, Harlan County Clerk

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Harlan County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Joseph Grieshop, Harlan County Judge/Executive
Honorable Wanda S. Clem, Harlan County Clerk
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In accordance with Government Auditing Standards, we have also issued a report dated February 15, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit report performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 15, 2001

HARLAN COUNTY
WANDA S. CLEM, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Grants		\$	17,013
State Fees For Services			14,778
Fiscal Court			36,516
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	616,624	
Usage Tax		1,579,483	
Tangible Personal Property Tax		1,308,625	
Licenses-			
Fish and Game		5,303	
Marriage		14,180	
Deed Transfer Tax		22,833	
Delinquent Tax		506,790	4,053,838
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts	\$	47,658	
Real Estate Mortgages		11,944	
Chattel Mortgages and Financing Statements		73,933	
Powers of Attorney		1,710	
All Other Recordings		28,135	
Charges for Other Services-			
Candidate Filing Fees		444	
Copywork		71	
Postage		911	164,806
Other:			
Miscellaneous	\$	62	
Overpayments		11,979	12,041
Interest Earned			3,118
Total Receipts		\$	4,302,110

HARLAN COUNTY
WANDA S. CLEM, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 476,921

Usage Tax 1,526,135

Tangible Personal Property Tax 517,089

Licenses-

Fish and Game 502

Delinquent Tax 76,731

Legal Process Tax 25,096

Other To State 90 2,622,564

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 190,675

Delinquent Tax 84,244

Deed Transfer Tax 21,703 296,622

Payments to Other Districts:

Tangible Personal Property Tax \$ 547,721

Delinquent Tax 198,679 746,400

Payments to Sheriff

17,640

Payments to County Attorney

96,437

Operating Disbursements:

Personnel Services-

Deputies Salaries \$ 284,924

Employee Benefits-

Employer's Share Social Security 25,151

Employer's Share Retirement 13,156

Employer's Paid Health Insurance 11,053

HARLAN COUNTY
WANDA S. CLEM, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-		
Libraries and Archives Grant	\$	17,013
Fish and Game		3,903
Maintenance Agreement		16,052
Election Commissioners		1,800
Delivery of Voting Machines		4,000
Voting Place Rental		2,750
Election Tabulators		1,800
Election Advertising		561
Election - Other		339
Preparing Tax Bills		4,514
Telephone		3,532
Office Supplies		23,031
Other Charges-		
Conventions and Travel		4,545
Dues		950
Postage		5,346
Refunds		15,683
Training		158
Insurance		5,158
Miscellaneous		1,659
		<u>\$ 447,078</u>
Total Disbursements		<u>\$ 4,226,741</u>
Net Receipts		\$ 75,369
Less: Statutory Maximum	\$	59,828
Training Incentive		585
		<u>60,413</u>
Excess Fees		\$ 14,956
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1999		\$ 11,356
Payments to County Treasurer-		
March 8, 2000	\$	5,000
February 20, 2001		6,356
		<u>11,356</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 8, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$53,939 of public funds uninsured and unsecured.

Note 4. Grant

The County Clerk had a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$17,120. Funds totaling \$17,013 were expended during calendar year ended December 31, 1999. The unexpended grant balance is \$107 as of December 31, 1999.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Clerk as of December 31, 1999, and have issued our report thereon dated February 15, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harlan County Clerk's financial statement for the year ended December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 15, 2001

